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September 21, 2005

David H. Meyer
Acting Deputy Director
Office of Electricity Delivery and Energy Reliability, TD-1
U.S. Department of Energy
1000 Independence Avenue, SW
Washington, DC 20585

RE: Energy Policy Act of 2005, Section 1234 Economic Dispatch Study

Dear Mr. Meyer:

Thank you for your letter of September 1, 2005 soliciting our assistance in supporting your research.

Idaho Power is submitting these comments to provide a framework for our individual response. Idaho Power was incorporated in 1916. Idaho Power is involved in the generation, purchase, transmission, distribution, and sale of electric energy in a 24,000 square mile area in southern Idaho and eastern Oregon with an estimated population of 895,000. Idaho Power holds franchises in 72 cities in Idaho and 10 cities in eastern Oregon and holds certificates from the respective public utility regulatory authorities to serve all or a portion of 28 counties in Idaho and three counties in eastern Oregon. As of Dec. 31, 2004, Idaho Power supplied electric energy to 440,409 general business customers and had 1,757 full-time employees. Idaho Power owns and operates 17 hydroelectric power plants, two natural gas-fired generating plants and shares ownership in three coal-fired generating plants.

Idaho Power relies heavily on hydroelectric power for its generating needs and is one of the nation's few investor-owned utilities with a predominantly hydroelectric generating base.

Idaho Power would like to focus its comments on questions 1, 2, 5, and 6 of the questionnaire that was sent with your letter.

Question No. 1: What are the procedures now used in your region for economic dispatch? Who is performing the dispatch (a utility, an ISO or RTO, or other) and over how large an area (geographic scope, MW load, MW generation resources, number of retail customers within the dispatch area)?

Response No.1: The market in the Northwest is a traditional bilateral market. Idaho Power does not currently participate in an RTO or similarly organized market and there is no retail access in Idaho. Idaho Power employs economic dispatch for its control area and dispatches its resources in a manner that minimizes power supply costs, while meeting other requirements (reliability, environmental, regulatory, navigation, recreation, etc.).

Question No. 2: Is the Act's definition of economic dispatch (see above) appropriate? Over what geographic scale or area should economic dispatch be practiced? Besides cost and reliability, are there any other factors or considerations that should be considered in economic dispatch, and why?

Response No. 2: The definition of economic dispatch in the Energy Policy Act recognizes only the operational limits of the generation and transmission facilities. This is too limiting. There are many externalities that may prevent a utility from producing energy at the lowest cost. Hydroelectric-generating utilities like Idaho Power face issues distinct to the region. Besides cost and reliability, other factors that Idaho Power considers when making dispatch decisions include: FERC license requirements, emissions, fuel supply, anadromous fish and other environmental requirements, environmental studies, flood control requirements, navigation requirements, recreational requirements, scenic flow requirements, special operations to accommodate cultural/historical events, search and rescue efforts, etc.

Question No. 5: If economic dispatch causes greater dispatch and use of non-utility generation, what effects might this have – on the grid, on the mix of energy and capacity available to retail customers, to energy prices and costs, to environmental emissions, or other impacts? How would this affect retail customers in particular states or nationwide? If you have specific analyses to support your position, please provide them to us.

Response No. 5: Idaho Power is supportive of EEI's comments on the issues presented in this question. Idaho Power also encourages the DOE to consider the cost of grid enhancements to address transmission constraints that may occur due to changes in dispatch patterns caused by use of non-utility generation.

Any changes that are made with respect to economic dispatch must not undermine the States' jurisdictional authority to ensure that retail customers are served by low-cost, efficient, and reliable sources of generation.

Question No. 6: Could there be any implications for grid reliability – positive or negative – from greater use of economic dispatch? If so, how should economic dispatch be modified or enhanced to protect reliability?

Response No. 6: Idaho Power is supportive of EEI's comments on the issues presented in this question.

Conclusion

Idaho Power appreciates this opportunity to provide comments and looks forward to a continued dialogue on these issues. If you have any questions, please contact me, Vern Porter, at 208-388-2850.

Respectfully submitted,

Vern Porter
Power Supply Operations

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